

# **2016 Annual Report**

**Partnering for Progress**



**MILLENNIUM**  
CHALLENGE CORPORATION  

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UNITED STATES OF AMERICA



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## **Abstract**

Since its creation in 2004, MCC has transformed lives and created opportunities in its partner countries by focusing on one mission: reducing poverty through economic growth. By taking a country-led, results-driven approach to foreign assistance, MCC empowers the poor and catalyzes private investment for public good, creating a more secure world with more opportunities for economic growth at home and abroad.

## Introduction and Board of Directors

International development is a key pillar of America's foreign policy. The United States is better off when our partners abroad are more stable, secure and prosperous. International development enhances our security, advances our interests abroad, and creates opportunities here at home. In today's global economy, international markets are fundamental to the growth and success of American businesses.

In January 2004, MCC was launched as a grand experiment in foreign assistance effectiveness; today, it stands as a respected leader in the field of international development and is a critical component of America's economic relationship with developing countries around the globe. Its data-driven investments and competitive selection have promoted good governance, transparency and accountability. Its private-sector focus has drawn out innovation, and its targeted policy reforms have opened up new opportunities for American businesses. By investing in the future of partner countries, MCC is helping to turn the frontier markets of today into America's major trading partners of tomorrow.

As the progress captured in this report shows, MCC is transforming lives and creating opportunity for millions of people worldwide. In Fiscal Year 2016, MCC signed new programs with Liberia, Morocco, Niger and Sierra Leone that will unlock economic growth, catalyze private investment, and help people lift themselves out of poverty.

Fiscal Year 2016 was also a notable year for MCC's commitment to transparency and accountability. The agency proudly ranked first in the U.S. Government and second among all international donors in Publish What You Fund's Aid Transparency Index. MCC also scored highest among seven federal agencies in Results for America's Federal Invest in What Works Index.

As MCC looks to the future, it is focused on taking its proven model of evidence-based development to the next level. In 2016, MCC released a strategy for the years ahead—NEXT—which aims to broaden and deepen impact, partner consistently with the private sector, and spur innovations in development effectiveness. In today's interconnected world, MCC is poised to drive development forward while advancing American values, security and prosperity.

## Board of Directors: Fiscal Year 2016

The MCC Board of Directors comprises five government officials and four individuals from the private sector, who are appointed to serve by the President with the advice and consent of the U.S. Senate. The Board of Directors meets quarterly. At the end of Fiscal Year 2016, the Board had one vacancy.

- John F. Kerry, Chair, Secretary of State
- Jacob J. Lew, Vice Chair, Secretary of the Treasury
- Michael Froman, U.S. Trade Representative
- Gayle Smith, Administrator, U.S. Agency for International Development
- Dana J. Hyde, Chief Executive Officer, MCC
- Mike Johanns, Former U.S. Senator and Secretary of Agriculture
- Susan M. McCue, President, Message Global

- Morton H. Halperin, Senior Advisor, Open Society Foundations and the Open Society Policy Center

## Driving Progress

### MCC Partner Countries that Completed Compacts in Fiscal Year 2016

Since its founding, MCC and its partner countries have completed 21 compacts, totaling more than \$7.5 billion. The Philippines completed its MCC compact on May 25, 2016.

#### Philippines

The \$434 million Philippines Compact supported reforms and investments to modernize the country's Bureau of Internal Revenue; expand and improve Kalahi-CIDSS, a community-driven development project; and rehabilitate a secondary national road in Samar province.

Derived from broad consultation and a proposal from the Government of the Philippines (GPH), the compact was designed in close collaboration with the GPH to address three constraints to growth in the Philippines:

- Ineffective investment in infrastructure and social services;
- Uneven distribution of limited development resources; and,
- Domestic resource mobilization allowing for increased spending on public investments.

The compact made a significant impact in addressing these constraints through the funding of three projects – the Revenue Administration Reform Project, the Kalahi-CIDSS Community-Driven Development Project, and the Secondary National Roads Development Project. The Millennium Challenge Account-Philippines, an organization established by the GPH that was staffed and led by Filipinos, was responsible for the implementation of all compact projects.

The **Revenue Administration Reform Project**, an ambitious internal reform program, supported the Bureau of Internal Revenue in nearly doubling its annual revenue collections over the life of the five-year compact. Through the compact, the effectiveness and integrity of revenue collection and administration improved, which increased public investment in the people of the Philippines and helped to reduce tax evasion.

The **Secondary National Roads Development Project** rehabilitated 175 km (109 miles) of a National Road on Samar Island in Eastern Visayas, one of the poorest areas of the country. This project included upgrading drainage structures and 59 bridges to new, climate-resilient standards, which is helping to reduce transportation costs, expand commerce, and raise incomes for the island's residents. The road withstood two historic typhoons (Typhoon Haiyan in November 2013 and Typhoon Ruby in December 2014), and played a vital role in the region's recovery.

The **Kalahi-CIDSS Community-Driven Development Project** empowered communities to fully participate in their local economic development activities and manage community assets in a sustainable way. With more than 4,000 small-scale, community-driven development projects in six regions of the



Philippines, it is estimated that Kalahi-CIDSS provided benefits to nearly one million households. Complementing typical projects such as farm to market roads, school buildings, health stations, water systems, and footpaths, the project also included more than \$1 million for a gender incentive grant for gender-focused projects such as non-traditional skills training for women, domestic violence support shelters, and maternity services.

## Impact Beyond the Compact: Building Partner Country Capacity

MCC funds more than infrastructure; it builds partner country capacity, expertise, and know-how throughout the lifecycle of its partnerships. MCC's commitment to country ownership means that countries are full partners in developing compacts and take the lead in compact implementation. By using and developing local expertise, MCC empowers citizens and builds self-sufficiency. This approach promotes the sustainability of MCC projects and extends the benefits of MCC's work beyond the strict five-year term of its compacts.

In Honduras, the government adopted MCC standards of transparency and accountability to implement additional projects even after MCC's compact had closed.

In Jordan, the MCC compact has introduced the country's construction industry to new and higher standards of environmental, social and safety measures. These measures include noise levels, dust, and water quality, workers safety, pest nuisance, and temporary sludge storage—as well as raising awareness of human trafficking and gender equity.

In the Philippines, the government has adopted the world-class design standards used to build an MCC-funded road that survived Typhoons Haiyan and Ruby and is applying those standards to future roads.

In Senegal, the government continues implementing MCC-supported approach to improving local land governance through a blend of traditional and modern land practices.

Table 1 MCC Completed Compacts as of September 30, 2016

Partner Country	Signed	Total Compact Amount at Signing (in millions of dollars)
Madagascar	April 8, 2005	\$109.8
Honduras	June 14, 2005	\$215.0
Cabo Verde	July 5, 2005	\$110.1
Nicaragua	July 15, 2005	\$175.0
Georgia	September 12, 2005	\$395.3

<b>Partner Country</b>	<b>Signed</b>	<b>Total Compact Amount at Signing (in millions of dollars)</b>
Benin	February 22, 2006	\$307.3
Vanuatu	March 2, 2006	\$65.7
Armenia	March 27, 2006	\$235.7
Ghana	August 1, 2006	\$547.0
Mali	November 13, 2006	\$460.8
El Salvador	November 29, 2006	\$460.9
Mozambique	July 13, 2007	\$506.9
Lesotho	July 23, 2007	\$362.6
Morocco	August 31, 2007	\$697.5
Mongolia	October 22, 2007	\$284.9
Tanzania	February 17, 2008	\$698.1
Burkina Faso	July 14, 2008	\$480.9
Namibia	July 28, 2008	\$304.5
Senegal	September 16, 2009	\$540.0
Moldova	January 22, 2010	\$262.0
Philippines	September 23, 2010	\$433.4

## **MCC Partner Countries in Compact Implementation**

Nine countries continued or had begun implementing their MCC compacts as of September 30, 2016. Each five-year compact is managed and implemented by a Millennium Challenge Account (MCA), an organization established by each partner country's government. Compact milestones from FY2016 include:

### **Cabo Verde**

During FY2016, all remaining funding was awarded for water and sanitation infrastructure improvements under the Infrastructure Grant Facility of the Water, Sanitation, and Hygiene Project. The investments are designed to improve the distribution and quality of water and sanitation networks across the country. In addition, a new water distribution company for the island of Santiago was formally launched, marking a milestone with invoices delivered to its first customers. Fieldwork to clarify land rights and boundaries on the pilot island of Sal through the Land Management for Investment Project has incorporated over 14,000 land parcels into the land system and is working toward registering rights in the formal land registry under the new land legal regime. With contributions from the Government of Cabo Verde, fieldwork will

be scaled up to the islands of Boa Vista, Maio and Sao Vicente. This work is securing the rights of Cabo Verdean citizens and businesses to the land where they live and work.

## **El Salvador**

The El Salvador Investment Compact continued to meet milestones in project implementation in FY2016. Under the Investment Climate Project's Regulatory Improvement Activity, the recently established Regulatory Improvement Body worked to prepare its first comprehensive reform package to be adopted and implemented throughout 2017. The reforms will ease import-export regulations and unlock a backlog of construction projects, with the expectation of triggering improvements in the country's investment climate. The Public-Private Partnership (PPP) Activity launched several feasibility studies with a view to choose two to take to market within the life of the compact. Complementary to this, PPP coaches have been embedded into key government line ministries in an effort to strengthen capacity in PPP investment analysis. Under the Human Capital Project, the Ministry of Education launched its gender policy and supported a comprehensive analysis of infrastructure needs in 45 school districts in order to determine compact investments in each district. The Logistical Infrastructure Project is concluding the design phase for the highly trafficked Pacific highway and border crossing with Honduras, teeing up for construction works to begin in 2017.

## **Georgia**

During its third year, MCC's 2013 Georgia Compact supported partner San Diego State University (SDSU) in enrolling its second cohort of science, technology, engineering, and mathematics (STEM) bachelor's degree students in partnership with three Georgian universities. The inaugural class of 83 students excelled during its first year, with many performing at the honors level. Partner university classrooms and laboratories were renovated in line with requirements of the internationally recognized Accreditation Board for Engineering and Technology, and more than 70 Georgian academics participated in faculty development training at SDSU. MCA-Georgia also awarded \$12 million in 10 large grants to technical vocational education and training institutions, including STEM. In addition, rehabilitation works on the first 12 schools were nearly complete and the Ministry of Education launched the first major training of school principals across the education system.

## **Ghana**

The Ghana Power Compact entered into force on September 6, 2016, following the release of tender documents for private sector participation in the management of the Electricity Company of Ghana, which was a critical condition for the compact to move forward. The five-year Ghana Power Compact will support the Government of Ghana in creating a financially viable power sector that meets the current and future needs of Ghanaian households and businesses—and ultimately helps reduce poverty across the country. At the heart of the compact is a strong commitment from the Government of Ghana to implement reforms needed to transform the power sector and put it on a path toward profitability and sustainability, creating an environment that will attract private investment. The government has pledged to invest at least \$37.4 million in support of the compact.

## Indonesia

Significant progress continued on each of the three projects that make up the Indonesia Compact in FY2016. Sixty-nine renewable energy and natural resource management grants were successfully signed in the Green Prosperity Project, and the project management team was reorganized to transition from grant maker to grant administrator. In the Community-Based Health and Nutrition Project, MCA-Indonesia and the Ministry of Health expanded community-level trainings and launched a national communications campaign to increase awareness of stunting and how to prevent it across Indonesia. The Procurement Modernization Project successfully entered its second phase, with a total of 45 pilot procurement service units, including key ministries that, due to their large procurement budget, provide the project with an opportunity to improve infrastructure procurement and domestic resource mobilization – key Indonesian national economic development objectives.

## Jordan

MCC's compact with Jordan, one of the world's most water poor, was designed to increase the supply of water available to people living in the Zarqa Governorate through improvements in water delivery, the extent of wastewater collection and the capacity of wastewater treatment. Projects were substantially completed well ahead of the December 2016 compact end date. By the close of FY2016, the Water Network Project had completed construction of more than 90 percent of the targeted 800 km (500 miles) of urban drinking water pipelines. The Wastewater Network Project had completed over 250 km (156 miles) of urban sewage pipelines and was on track to build more than 300 km (187 miles), significantly exceeding the compact goal. These investments diminish water lost through leaking pipes, reduce sewage overflows into city streets, and improve the living and business environment for the Jordanian people. A critical expansion of the As-Samra Wastewater Treatment Plant, responsible for treating 70 percent of the country's wastewater and providing clean irrigation water in the water-scarce Jordan Valley, was completed in October 2015. Finally, as part of the Water Smart Homes Activity, dozens of women plumbers were trained and leakages were reduced in more than 4,000 households through improved plumbing, water storage in homes, and increased water conservation awareness. The compact's investments were well coordinated with USAID assistance and are responsive to Jordan's appeal for more long-term support to the country's water and wastewater infrastructure.

## Liberia

Through MCC's compact with Liberia, the Mt. Coffee Rehabilitation Activity is rehabilitating and expanding Liberia's largest electricity generation asset with funding from MCC, the Government of Norway, the German KfW Development Bank, the European Investment Bank and the Government of Liberia. The compact also supports this investment through other activities seeking to build the capacity of the energy sector in Liberia. Prior to the compact entering into force, the Liberian government passed the 2015 Electricity Law of Liberia, which created a legal and regulatory framework for the generation, transmission, distribution, and sale of electricity in Liberia. In March 2016, the board of directors of Liberia's electricity utility, the Liberia Electricity Corporation, adopted an implementation plan to prepare for a new management services contract for the utility. The first three years of the resulting management services contract will be funded with compact support. Finally, the compact's Energy Project reached a

major milestone in 2016 with the impoundment of the reservoir at Mount Coffee Hydropower Plant following several years of rehabilitation. The reservoir is intended to hold the water that will eventually generate electricity through the hydropower plant when the turbine is commissioned in December 2016; at that point, Mount Coffee will be able start generating electricity for the first time in over 20 years.

In August 2016, MCC signed an interagency agreement with the John A. Volpe National Transportation Systems Center establishing a partnership between the U.S. Department of Transportation and the Liberian Ministry of Public Works to implement portions of the compact's Roads Project.

## Malawi

In FY2016, MCA-Malawi signed the eighth and final works contract, collectively committing almost \$200 million to upgrade and rehabilitate Malawi's electrical grid. Resettlement efforts were nearing completion and contractors had made significant progress with final design and initial construction activities. The power sector reform effort saw a major success through the compact-supported passage of Malawi's Electricity Amendment Act, which reforms the power sector and creates an enabling environment for private investment in new power generation. Additionally, with support from MCC, Malawi's electricity utility moved closer to signing its first power-purchase agreement with an independent power producer. Finally, as part of an effort to reduce soil erosion into the Shire River that impedes power generation, 11 non-governmental organizations continued to help farmers implement conservation agriculture and reforestation activities and MCA-Malawi also signed a contract to provide weed and sediment management equipment to ESCOM to help maintain their hydroelectric generation sites.

## Zambia

In FY2016, all remaining Lusaka Water Supply, Sanitation and Drainage Project construction works contracts were in effect. The MCC compact also makes investments that support sector and institutional strengthening for the two implementing entities, Lusaka Water and Sewerage Company and Lusaka City Council, enabling them to ensure improved asset and environmental management, information/education/communication services, social inclusion and gender mainstreaming. These infrastructure improvements and complementary institutional strengthening activities are expected to benefit an estimated 1.2 million people in and around the capital city of Lusaka. The Ministry of Local Government and Lusaka City Council agreed to work with MCA-Zambia to establish an autonomous solid waste management unit, which will support improved solid waste collection and disposal and city-wide drainage maintenance. The compact's Innovation Grant Program also completed two calls for proposals, partnering with community-based organizations, civil society, and private sector entities to improve service delivery to vulnerable populations, with a focus on the water supply, sanitation and solid waste management, which enhance compact activities and support sustainability.

Table 2 Fiscal Year 2016 Compact Obligations and Disbursements (in millions of dollars)

Partner Country	Total Compact Amount at Signing*	FY2016 Section 605 Obligations**	FY2016 Section 605 Disbursements
Cabo Verde	\$66.23	\$0	\$16.67

El Salvador	\$277.00	\$0	\$6.21
Georgia	\$140.00	\$0	\$18.75
Ghana	\$498.20	\$469.30	\$9.60
Indonesia	\$600.00	\$0	\$76.70
Jordan	\$275.10	\$0	\$51.88
Liberia	\$256.70	\$256.70	\$58.90
Malawi	\$350.70	\$0	\$59.99
Mali***	\$460.8	(\$1.31)	\$0
Moldova***	\$262.0	(\$2.63)	\$0
Mongolia***	\$284.9	(\$0.01)	\$0
Morocco	\$450.00	\$21.35	\$0.2
Niger	\$437.00	\$27.20	\$0
Philippines	\$433.90	(\$0.80)	\$112.95
Senegal***	\$540.0	(\$82.80)	\$0
Zambia	\$354.76	\$0	\$57.55

\*Amounts include Section 605 obligations and compact implementation funding obligations at signing.

\*\*De-obligations during FY2016 were factored into the compact funding requested in MCC's FY2018 Congressional Budget Justification.

\*\*\*These compacts were closed in prior fiscal years but had a de-obligation in FY2016.

Table 3 Signed Compacts that had not yet Entered Into Force as of September 30, 2016

Partner Country	Obligations (in millions of dollars)	Expenditures (in millions of dollars)
<b>Benin</b> - \$375 million compact signed September 9, 2015 The Benin Power Compact has made substantial progress toward entering into force, expected in FY2017. MCA-Benin launched several technical studies, including those relating to key policy reforms in the compact (which will trigger the	\$18.0	\$0.9

Partner Country	Obligations (in millions of dollars)	Expenditures (in millions of dollars)
release of \$100 million), as well as engineering designs for \$80 million in power distribution infrastructure. The Government of Benin's Year-One contribution of approximately \$6 million was received in late August 2016, a significant gesture of country ownership for a new administration coming into power in April 2017.		
<b>Morocco</b> - \$450 million compact signed November 30, 2015 The Morocco Employability and Land Compact is designed to address two binding constraints to economic growth in the country: access to high-quality education and land productivity. In FY2016, MCC and the Government of Morocco worked toward completing the designs of two transformative projects in these sectors, which were developed to support key priorities in the country. In June 2016, First Lady Michelle Obama visited Marrakech, Morocco, to announce MCC's nearly \$100 million investment to transform secondary education.	\$21.4	\$0.2
<b>Niger</b> - \$437 million compact signed July 30, 2016 The Niger Sustainable Water and Agriculture Compact addresses the underlying causes of two	\$27.2	\$0

Partner Country	Obligations (in millions of dollars)	Expenditures (in millions of dollars)
binding constraints to economic growth and investment in Niger: the lack of access to water for productive use, and access and barriers to markets and trade. The compact comprises two projects: the Irrigation and Market Access Project and the Climate-Resilient Communities Project. These projects are designed to increase rural incomes through modernized irrigated agriculture and flood management systems designed to generate greater agricultural production and yields; increased market access, sales and value for agricultural products; and sustainable management of natural resources.		

Note: For MCC's financial reporting, disbursements are expenditures. Compact funds are fully obligated and the five-year clock starts when the compact enters into force.

## Compacts in Development

During FY2016, MCC continued work with seven countries to develop potential compacts. This section highlights the status of each compact as of September 30, 2016.

### Côte d'Ivoire

In December 2015, MCC's Board of Directors selected Côte d'Ivoire for compact eligibility and authorized the exploration of potential regional investments. Côte d'Ivoire built on a previously undertaken constraints analysis and sector analyses performed under the development of a threshold program in 2015 that had identified four binding constraints to the country's economic growth: (1) low level of basic and technical/vocational skills; (2) barriers to moving goods and people, especially in and around Abidjan; (3) lack of access to industrial land; and (4) administrative burden and unpredictability of paying taxes.



## Kosovo

Following the selection of Kosovo for compact development in December 2015, MCC and the Government of Kosovo's compact development team conducted an integrated constraints analysis, which identified three binding constraints to growth and investment in Kosovo: (1) reliability of supply of electricity; (2) perception and reality of rule of law; and (3) environmental services. The MCC team and the Kosovo compact development team undertook a root cause analysis to further understand the constraints before determining the focus of the program.

## Lesotho

Initial analysis for a compact with Lesotho identified four binding constraints to growth that may become areas of investment: health, job skills, land, and regulatory frameworks. Underlying these constraints is a weakness in the government's ability to support its own national strategic goals through efficient use of resources to deliver high-quality services.

## Mongolia

Following the MCC Board of Directors' selection of Mongolia for a new compact in December 2014, MCC and the Government of Mongolia's compact development team conducted an integrated constraints analysis and signed an initial engagement grant agreement. The analysis identified a weak and unstable macroeconomic environment; inconsistent laws and policies affecting businesses; health impacts from air pollution; and poor access to water and sanitation.

## Nepal

Selected initially for a threshold program, Nepal transitioned to compact eligibility in December 2014. The binding constraints to growth identified during the development of the threshold program will be the focus of the compact. The constraints include an unreliable supply of electricity and the high cost of transport. In the aftermath of the Nepal earthquake in April 2015, MCC expedited its compact development process and located the Country Team Lead position in Kathmandu.

## Philippines

MCC and the Government of the Philippines completed a constraints analysis that identified four binding constraints to growth and investment: (1) government coordination and implementation capacity; (2) the high cost of transport logistics; (3) the high cost of electricity; and (4) land and market failures in the rural economy. The Government of the Philippines continued to work with MCC through September 30, 2016, to identify potential projects and reforms that address these constraints.

## Senegal

In 2015, Senegal was selected as eligible for a second compact. MCC and the Government of Senegal's compact development team worked with the Ministry of Finance on a joint diagnostic study to identify

the most binding constraints to private-sector led growth in Senegal and describe the relevant social dynamics that affect poverty and inequality. MCC's Board of Directors also recommended at its December 2015 meeting that MCC explore potential regional investments as part of compact development, in addition to domestic investments, recognizing that growth is more dependent than ever on economic integration.

## Sector Results at a Glance: By the Numbers and Key Policy Reforms

*Numbers are cumulative over the 12 years since the agency's founding in 2004 and current as of September 30, 2016.*

Developing countries face significant challenges across many sectors. Once a country is selected as eligible to develop a compact or threshold program, the first step in MCC's process is to work with partner country officials to conduct a rigorous, joint analysis that identifies the most binding constraints to economic growth. These results help prioritize MCC's investments in the areas that are the biggest impediments to private investment and poverty reduction. These may include access to credit, governance, electricity, transportation or education. Constraints to growth are different for each country and ultimately drive MCC's investment strategy. Below are highlights of MCC's sector investments that have emerged from this analysis.

### Power

#### **2,668 miles of electricity lines completed**

MCC is making major investments in the energy sector to reduce energy poverty in Benin, Ghana, Liberia and Sierra Leone, while encouraging reforms to the power sector that complement infrastructure investments. In Liberia, MCC's compact funds the rehabilitation of a hydropower facility and aims to strengthen Liberia's power sector. In Ghana, the government took significant steps to revitalize its power sector by inviting the private sector to invest in its national utility. Preparation for implementing a compact with Benin continues while significant construction works for large-scale, on-grid generation, transmission and distribution projects are underway in Malawi, as well as smaller-scale, on- and off-grid renewable energy projects in Indonesia. In Sierra Leone, MCC began carrying out its threshold program to build the capacity of the newly-established power regulator and power generation and transmission utility.

### Transportation

#### **1,886 miles of roads completed**

#### **549 additional miles of roadway under construction**

In May 2016, the Philippines, using MCC compact funding, successfully completed the reconstruction/rehabilitation of 109 miles of a road in the Samar and Eastern Samar provinces of the country that will help lower transport costs and travel time and opens up possibilities for new markets.

For the Niger Compact, investments were prepared for the upgrading of 307 km (191 miles) of roads to international standards, and enhancement of both national and regional connectivity. Implementation of technical assistance and policy reform activities that would set Liberia on a long-term path to a sustainable road maintenance were started. The El Salvador Logistical Infrastructure Project made marked progress toward launching construction in early 2017.

## **Water and Sanitation**

**7,401,563 estimated beneficiaries<sup>1</sup> of improved water and sanitation services.**

In FY2016, MCC supported capital improvements and policy and institutional reforms to improve the level and quality of water and sanitation services in partner countries. Specifically, MCC disbursed more than \$200 million for rehabilitation and construction of water supply and wastewater infrastructure as part of our Jordan Compact. This infrastructure included investment in the second tranche of the As-Samra wastewater treatment plant where treated effluent will be diverted for agricultural use saving precious bulk water supply for this water poor nation. In Sierra Leone,<sup>2</sup> MCC is partnering with the government on a threshold program to implement policy reforms, build institutional capacity and improve governance in the water sector in Freetown. A comprehensive assessment of the water utility in Guma Valley was conducted to determine the priority areas of assistance for strengthening utility performance.

## **Agriculture and Irrigation**

**280,866 farmers trained**

**504,004 acres under improved irrigation**

In July 2016, MCC signed a \$437 million compact with the Government of Niger focused on strengthening the agricultural sector. Through the compact's Irrigation and the Market Access Project, MCC will work with the Government of Niger to improve irrigation, including the rehabilitation and development of three large-scale irrigation systems in the Dosso and Tahoua regions, to increase crop yields, sustainable fishing and livestock productivity. In addition, the project will reform policies and institutions, including the establishment of a national water resource management plan and natural resource and land use management plans, and create local capacities to increase understanding of best-practices to sustainably use and maintain irrigation and market infrastructure.

## **Land**

**311,786 household, commercial, and legal entities gained protected land rights**

MCC works with partner countries to improve land governance and administration, strengthen property rights, and stimulate private-sector investment for more productive land use. In Cabo Verde, MCC has invested to reduce the time required to register property rights and establish more conclusive land records in areas with high development potential. MCC funding was used under a pilot activity to complete surveys for 95 percent of all land parcels on the island of Sal, which are now being registered. This activity

led to the passage of a legal amendment in August 2016 that streamlined the land survey and registration process. MCC is now funding the survey and registration of an additional 30,432 parcels on the islands of Boa Vista, Maio, and Sao Vicente. In Indonesia, MCC's investment in natural resource management and renewable energy includes development of a methodology for community-based participatory mapping of village boundaries and cultural and natural resources. Following this methodology, villages are able to produce legally recognized village maps to enhance land use plans. As of September 30, 2016, MCC funding had assisted 114 communities in defining and demarcating the boundaries of their villages. Land and natural resource information systems were being installed in government offices in 35 districts across 10 provinces to provide decision-makers with the information they need to encourage investment while effectively supporting the management of their land and other natural resources.

## Education

**758 education facilities constructed or rehabilitated**

**4,453 instructors trained**

**215,351 students participating in MCC-supported education activities**

MCC works with partner countries to ensure that students obtain the knowledge and skills demanded by the private sector. In FY2016, the Government of El Salvador officially announced its commitment to reform the technical and vocational education and training (TVET) system, and is designing interventions for secondary school expansion. In Georgia, rehabilitation of the first tranche of 16 schools was on track to be completed by the end of October 2016 and hundreds of students will be able to move into highly improved learning environments. Also in Georgia, more than 400 people were trained and certified as trainers to conduct the first of a Leadership Academy series for school principals, and in turn, they have trained more than 1,600 principals. The MCA-Georgia TVET Facility has awarded its first round of grants totaling approximately \$12 million, slated to be disbursed in 2017. In September 2016, construction tenders were successfully launched for rehabilitation of pilot schools for MCC's Morocco Compact. Also in Morocco, preparations are underway to field test an innovative Integrated School Improvement Model that will eventually be implemented in approximately 100 secondary schools, and planning advanced significantly for a TVET Grant Facility as well as a results-based financing component of the compact that aims to improve job placement for women and at-risk youth. Lastly, the Guatemala threshold program now includes a TVET component.

## Health

**1,420 health providers trained on growth monitoring**

**2,113 service providers trained on community-led total sanitation triggering**

**9,291 service providers trained on infant and young child feeding**

MCC works with partner countries to integrate sanitation, maternal and child health, and nutrition interventions to reduce stunting and increase household income. In Indonesia, MCC has committed more than \$130 million to improve nutrition and health. MCC's Indonesia Compact includes a partnership with the World Bank using incentives-based community grants to increase the demand for health, nutrition and education services and improves the health sector's capacity to respond to increased demand at the

facility and community level. In Sierra Leone, MCC has committed \$5 million to improve access to reliable and safe water and sanitation (WASH) services, and to promote WASH practices at the household level. Increased access to safe drinking water, food, and sanitation services is critical to improving children's nutritional status and preventing environmental enteropathy, which has been associated with growth failure in children.

## **A Results-Based Approach**

MCC uses a country-driven, results-based approach to its global investments, ensuring a cross-cutting impact in each of its compacts. MCC is committed to applying its experience, expertise and flexibility to evolving challenges to achieve economic growth. This means incorporating:

### **Gender and Social Inclusion**

Recognizing that gender inequality can be a significant constraint to economic growth and poverty reduction, MCC's gender policy requires that eligible countries analyze gender differences and inequalities to inform the development, implementation, monitoring, and evaluation of its programs. Supported by Gender Integration Guidelines that make this policy operational, these requirements have produced real results. MCC's compacts in Cabo Verde and Zambia have catalyzed policy reforms and provided technical assistance to national agencies and utilities to improve their planning, data collection and monitoring, and communications capacities to better understand and serve their diverse customer base. In Malawi, Benin and Ghana, MCC compacts are aimed at strengthening the policies and practices of electrical utilities and other institutions to improve service for these countries' diverse customers and advance professional opportunities for women in the energy sector. In El Salvador, MCC's compact has supported the development of the Ministry of Education's Gender Policy and Gender Unit, designed to improve gender equality in the country's educational system. Addressing gender and social inclusion through institutional reforms ensures that the impacts of MCC's investments extend well beyond the life of a compact.

### **Environment, Health and Safety**

MCC's Environmental and Social Performance team works with partner countries to integrate internationally accepted principles of environmental and social sustainability into the design and implementation of compacts. Beyond doing no harm, MCC is working with partner countries to sustain and enhance management of habitats that provide key ecosystem services such as natural sources of food, fiber and medicines, as well as regulatory functions like watersheds, fertile soils and flood protection. In the Niger Compact, MCC will support Niger's efforts to improve the conservation of key wetlands needed for the protection of ecosystem services that contribute to productive agriculture.

### **Climate Resiliency**

To be sustainable beyond MCC's five-year partnerships, development investments must be climate resilient. To that end, MCC systematically screens all new investments for sustainability risks. Where risks are identified, MCC works with its partners to understand and address them. In FY2016, MCC worked internally and with other U.S. Government development and science agencies to establish stronger tools and approaches. They include new approaches to adapt water supply infrastructure, tools for water

utilities seeking private finance, and guidance for energy projects to become more climate resilient.

## **MCC Threshold Programs: Results through Reforms**

MCC threshold programs seek to boost the “MCC Effect” and support policy and institutional reforms critical to economic growth and good governance. The MCC Effect is the incentive for countries to elevate their performance on the MCC scorecard. Threshold programs are an important stepping stone in this process and provide validation of a country’s initial reform efforts. By actively engaging on policy issues with a promising candidate country, a threshold program is an opportunity for countries seeking a compact to demonstrate their commitment to reform. Threshold programs are developed through a structured diagnostic and design process, beginning with a rigorous analysis of the constraints to economic growth and the root causes of those constraints. MCC and its partner threshold country then design a program to support policy and institutional reforms that will help alleviate one or more constraints. As MCC’s partners implement their threshold programs, they develop the capacity to undertake challenging reforms and build a foundation for high-impact investments.

In FY2016, MCC partnered to develop or implement threshold programs with Guatemala, Honduras, Sierra Leone, Sri Lanka and Togo. Côte d’Ivoire, which began as a threshold partner in FY2015, was selected by MCC’s Board as eligible to develop a compact in FY2016. The diagnostic work done through the threshold partnership created a strong foundation for the development of the country’s compact.

MCC’s \$28 million threshold program with Guatemala entered into force in April 2016. The program supports policy and institutional reforms aimed at providing quality educational opportunities that have relevance to the labor market, and mobilizing greater resources through improved tax and customs administration. The program is already helping the Government of Guatemala limit opportunities for corruption at the country’s largest port.

In Honduras, a \$15.6 million threshold program is supporting reforms to improve the efficiency and transparency of government in two critical areas: public financial management and public-private partnerships. The program has supported the establishment and training of a permanent government procurement assessment unit. The findings from their assessments have informed reforms to improve the country’s procurement practices. For example, the country’s procurement rules were amended to reduce the implicit discretion of public officials to invite only three bidders for contracts below a certain threshold. Now, for such procurements the new regulation allows non-invited firms to bid in order to reduce opportunities for collusion and increase competition and transparency.

A \$44.4 million threshold program with Sierra Leone was signed in November 2015 and began implementation in early 2016. MCC assistance is helping to build an institutional foundation for the provision of water and electricity in greater Freetown. The program emphasizes improved sector governance by increasing transparency and accountability and reducing opportunities for corruption and bribery.

Sri Lanka and Togo were selected as new threshold country partners in December 2015. Sri Lanka has embarked on a remarkable effort over the past year to reinvigorate its democratic institutions, improve governance, and restore protection of human rights. Togo has shown a clear upward trajectory on overall scorecard performance over the past few years. MCC is working with each country to conduct constraints to economic growth analyses and explore opportunities for reform in key sectors.

## For More

- Visit [www.mcc.gov](http://www.mcc.gov) for the latest progress on each MCC partner country, including financial data, results, and donor coordination efforts.
- Review MCC's [Fiscal Year 2016 Agency Financial Report](#) for financial statements and the independent auditor's report.

## **Leveraging Partnerships**

MCC has broadened and deepened its partnerships with partner country governments, public donors, the private sector, and other U.S. Government agencies for greater impact and leverage. Through effective partnerships, MCC furthers its impact and the sustainability of its investments.

### **A Commitment to Strategic Partnerships**

To strengthen its commitment to partnering with the public and private sectors, MCC established an Office of Strategic Partnerships (OSP) with the mandate to provide the vision and strategy for partnerships at MCC, establish partnership “infrastructure” and lead strategic partnerships in conjunction with our Finance, Investment, and Trade Team aligned with MCC’s goals. Building on MCC’s strong track record in leveraging more than \$6 billion in partner commitments, the ambition is to more fully utilize partnerships to increase the scale, impact, and sustainability of our operations and investments.

### **Innovation in Partnerships**

MCC catalyzes private investment by partnering with countries to enact market-based reforms and developing innovative public-private partnerships that leverage private capital and expertise. MCC’s compact in El Salvador and threshold programs in Guatemala and Honduras advanced the objectives of MCC’s Public-Private Partnership platform, or P3, established in FY2015 by supporting the development of seven transactions, and funding an internationally recognized PPP training program. MCC hosted a nationwide investment roadshow that highlighted power sector investment opportunities across Africa and featured compact programs in Ghana and Benin. MCC held a partnerships and procurement forum for American businesses in Utah and joined the Overseas Private Investment Corporation’s Expanding Horizons series, continuing our efforts to reach out to American businesses. In support of partnership development, MCC rolled out a relationship management system and developed its first Partnerships and Innovation College.

### **Powering Africa**

To fulfill the agency’s goal of removing constraints to economic growth, MCC is making major investments in energy infrastructure to reduce energy poverty in sub-Saharan Africa. The agency has committed approximately \$1.5 billion to power projects, including in Benin, Ghana, Liberia, Malawi, and Sierra Leone, that improve the quality and reliability of electricity.

### **Food Security**

MCC worked with 10 other U.S. Government agencies and departments to develop the U.S. Global Food Security Strategy FY2017-21. The Strategy provides an integrated whole-of-government approach, along with agency-specific implementation plans, as required by the Global Food Security Act of 2016. In FY2016, MCC partnered closely with other development partners to promote our mutual goal of sustainably reducing poverty through increased agricultural development.



## Data for Development Capacity Building

A \$21.8 million interagency partnership known as the [Data Collaboratives for Local Impact](#) (DCLI) was launched in April 2015 with funding from PEPFAR and oversight by MCC with two core investments. The first is a [data lab](#) that provides data analytics and data visualization training, demonstrating how new, more granular and real-time data can be used to support PEPFAR programming, and is acting as a focal point for data collaborations across sectors. The [second investment](#) supports young entrepreneurs' use of data and technology to solve priority development needs in specific areas, such as national and local health data, while supporting partner countries' own efforts to drive progress toward the 2030 Sustainable Development Goals.

## Gender and Education

MCC's goals, mission and country-driven approach promote adolescent girls' education, most notably through MCC's nearly \$100 million investment to transform secondary education in the Morocco Employability and Land Compact. MCC also continues to join nongovernmental organizations, private-sector businesses, and other donors around the world in the CHARGE Initiative – Collaborative for Harnessing Ambition and Resources for Girls' Education. This five-year partnership aims to improve learning and leadership opportunities for young women and girls worldwide. MCC embraces strategic partnerships to support the empowerment of women, recognizing that shared values and the inclusion of all citizens strengthen MCC's goal to reduce global poverty.

## Development Community Support

The African Development Bank (AfDB) and MCC signed a Memorandum of Understanding in FY2016 on future collaboration on the sidelines of the AfDB's Annual Meetings in Lusaka, Zambia. The MOU creates an opportunity for both organizations to work together on major areas of mutual interest, including infrastructure for regional integration, access to power, and development that attracts the private sector. MCC and the AfDB plan to coordinate on and share data and analysis essential to the smart allocation of resources and build on one another's work to enhance investments.

## **New Efforts to Advance Global Development**

MCC's commitment to global poverty reduction is firmly rooted in economic growth, good policy and governance, country ownership, data and analysis, strong results measurement, transparency and accountability. MCC's poverty reduction work continues to advance effective and innovative development practices and partnerships.

### **A Strategy for MCC's Future**

MCC was created in 2004 to pioneer a new approach to poverty reduction—firmly grounded in the best evidence and aimed at expanding the frontiers of development effectiveness. More than a decade later, MCC has a track record that validates the efficacy of this model, but it also has learned, and adapted to, many important lessons along the way. In 2016, MCC released a strategy for its future—NEXT—that charts a course for deepening and expanding impact and meeting the challenges of the new landscape of global poverty and development. It lays out new directions, five specific goals, and priority actions that MCC will pursue, building on its proven model and founding principles. By following this strategy, MCC will seek to achieve greater leverage and results from the use of its resources, partner consistently and catalytically with the private sector and other key development actors, and continue to drive innovations in development effectiveness in the development community.

### **Open Government and Transparency**

MCC is widely recognized for its institutional commitment to transparency, as evidenced by its consistently high ranking among the world's top donors and within the U.S. government by Publish What You Fund. In FY2016, Publish What You Fund's Aid Transparency Index ranked MCC as the most transparent U.S. Government agency and the second most transparent donor globally. MCC also received the highest score of all federal agencies measured in Results for America's 2016 Federal Invest in What Works Index. This Index showcases how federal agencies are currently using data and evidence to drive budget, policy and management decisions, and ultimately to improve lives.

### **Smart Aid Series**

MCC's Smart Aid Series was launched in FY2016 as a platform to engage development community stakeholders for discussions and to share ideas, best practices, lessons learned and innovative approaches across a range of development topics. With the support of a host of expert panelists participating in public events held at MCC, members of civil society, the private sector, academia, nongovernmental organizations, think tanks and other U.S. Government agencies came together for meaningful and interactive discussions on gender, data and development, water and sanitation, evidence-based policy reform, and partnerships. The Smart Aid Series aims to foster greater collaboration and effectively advance aid to reduce poverty through economic growth.

### **Investing in Africa's Youth**

Africa's Promise is an MCC initiative to empower African youth by providing internship opportunities supporting the implementation of MCC compact programs across Africa. Approximately 60 percent of Africa's total population is below the age of 35. Interns will learn technical skills, leadership skills and project management best practices – including financial and public sector management – in the local country context while helping to advance MCC's mission to reduce poverty through economic growth. Interns will support the large-scale development projects that make up MCC-funded compact programs and get exposure to targeted professional development and networking opportunities in both the public and private sectors.

## Endnotes

1. Estimated beneficiary count is reported in place of monitoring results as participant numbers are undergoing verification.
2. Estimated beneficiary count above does not include beneficiaries of the Sierra Leone Threshold program. Cost-benefit analysis is not required for Threshold Programs, so there is no projection of total economic benefits or beneficiaries.



# Reducing Poverty Through Growth

